



2023
INTERIM REPORT



恒益控股有限公司
HANG YICK HOLDINGS COMPANY LIMITED
(Incorporated in the Cayman Islands with limited liability)

STOCK CODE : 1894



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Sin Kwok Chi Stephen

Mr. Ho Chi Yuen (*resigned on 12 October 2023*)

Independent Non-executive Directors

Mr. Leung Fuk Shun (*Chairman*)

Mr. Cheung Chun Man Anthony

Mr. Law Chi Hung

Mr. Liu Sicheng (*appointed on 14 November 2023*)

Ms. Mak Suet Man (*appointed on 14 November 2023*)

AUDIT COMMITTEE

Mr. Law Chi Hung (*Chairman*)

Mr. Cheung Chun Man Anthony

Mr. Leung Fuk Shun

Mr. Liu Sicheng

Ms. Mak Suet Man

REMUNERATION COMMITTEE

Mr. Law Chi Hung (*Chairman*)

Mr. Cheung Chun Man Anthony

Mr. Leung Fuk Shun

Ms. Mak Suet Man

Mr. Liu Sicheng

NOMINATION COMMITTEE

Mr. Cheung Chun Man Anthony (*Chairman*)

Mr. Law Chi Hung

Mr. Leung Fuk Shun

Mr. Liu Sicheng

Ms. Mak Suet Man

COMPANY SECRETARY

Mr. Chui Man Lung Everett

AUTHORISED REPRESENTATIVES (FOR THE PURPOSE OF THE LISTING RULES)

Mr. Sin Kwok Chi Stephen

Mr. Chui Man Lung Everett

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Flat 606, 6/F,
Sunray Industrial Centre,
610 Cha Kwo Ling Road,
Yau Tong, Kowloon, Hong Kong

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre,
16 Harcourt Road,
Hong Kong

AUDITOR

RSM Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
DBS Bank (Hong Kong) Limited
Bank of China Huizhou Lilin Branch
Agricultural Bank of China Huizhou Lilin Branch

STOCK CODE

1894

COMPANY WEBSITE

<http://www.hy-engineering.com>

Management Discussion and Analysis

BUSINESS REVIEW

For the Reporting Period, the Group generated revenue from continuing operations of approximately HK\$85.0 million as compared with that of HK\$111.4 million for the corresponding period, representing a decrease of approximately 23.7%. The result was mainly due to less revenue certified by customers during the design and early stage of the projects.

As at 30 September 2023, the Group's total amount of contract on hand for provision of steel and metal engineering services was approximately HK\$316.5 million (31 March 2023: HK\$243.5 million).

Outlook

During the period, the Group was principally engaged in the provision of steel and metal engineering services in Hong Kong. Looking forward, the Directors are of the view that the forthcoming years will remain challenging for the Group's business due to the unstable global economic and increasing cost of labour. Having said that, the Directors believe that the construction business remain promising as a result of the increase in land supply and the strong commitment of the Government to improve the supply of public housing.

FINANCIAL REVIEW

Revenue from continuing operations

For the Reporting Period, the overall revenue from continuing operations of the Group has decreased by approximately HK\$26.4 million, or approximately 23.7% as compared to the corresponding period in 2022, from approximately HK\$111.4 million to approximately HK\$85.0 million.

Revenue from the provision of steel and metal engineering services decreased by approximately HK\$32.5 million, or approximately 33.7%, from approximately HK\$96.5 million for the six months ended 30 September 2022 to approximately HK\$64.0 million for the Reporting Period as less revenue certified by customers during the design and early stage of the projects.

Revenue from the sales of steel and metal products increased by approximately HK\$6.1 million, or approximately 40.9% from approximately HK\$14.9 million for the six months ended 30 September 2022 to approximately HK\$21.0 million for the Reporting Period.

Direct costs from continuing operations

The Group's direct costs from continuing operations primarily consist of direct material costs, direct labour costs, installation service fees, and other costs.

During the Reporting Period, the Group's direct costs from continuing operations amounted to approximately HK\$73.2 million, representing a decrease of approximately HK\$21.7 million or approximately 22.9% as compared to the direct costs of approximately HK\$95.0 million from the corresponding period in 2022. Such decrease was mainly attributable to the decrease in the cost of material and direct labour costs.

Management Discussion and Analysis

Gross profit and gross profit margin from continuing operations

For the Reporting Period, the gross profit from continuing operations of the Group decreased by approximately HK\$4.6 million, or approximately 28.2% as compared to the corresponding period in 2022, from approximately HK\$16.4 million to approximately HK\$11.8 million. The gross profit margin decreased from approximately 14.8% for the six months ended 30 September 2022 to approximately 13.9% for the Reporting Period.

The slight decrease in the gross profit for the Reporting Period is mainly due to the lower gross profit margin on sales of steel and metal products when compare to the provision of steel and metal engineering services.

Other income and other gains and losses from continuing operations

Other income and other gains and losses from continuing operations increased from approximately HK\$3.2 million for the six months ended 30 September 2022 to approximately HK\$6.4 million for the Reporting Period. The increase was mainly attributable to the recovery of loss on the Incident Transactions of HK\$6.3 million (for the six months ended 30 September 2022: Nil) received while offset by the one time government grants of HK\$3.1 million received in the corresponding period.

Administrative expenses from continuing operations

For the Reporting Period, the administrative expenses from continuing operations decreased by approximately HK\$0.9 million or approximately 8.2% as compared to the corresponding period in 2022, from approximately HK\$11.5 million to approximately HK\$10.6 million. The decrease in administrative expenses was mainly attributable to the decrease in professional expenses during the Reporting Period.

Profit attributable to owners of the Company from continuing operations

As a result of the foregoing, profit attributable to owners of the Company for the Reporting Period was approximately HK\$6.6 million, being approximately HK\$0.3 million lower than the profit from continuing operations attributable to owners of the Company of approximately HK\$6.9 million for the corresponding period.

Gearing ratio

As at 30 September 2023, the gearing ratio of the Group, calculated based on the total interest-bearing debts divided by the total equity attributable to owners of the Company as at the end of the respective period and multiplied by 100%, was approximately 0% (31 March 2023: approximately 2.2%).

LIQUIDITY, FINANCIAL POSITION AND CAPITAL STRUCTURE

As at 30 September 2023, the capital structure of the Group consisted of equity approximately HK\$175.3 million (31 March 2023: approximately HK\$170.0 million) and no bank borrowings (31 March 2023: approximately HK\$3.7 million).

The Group maintained a sound financial position during the Reporting Period. As at 30 September 2023, the Group had total bank balances and cash of approximately HK\$68.1 million (31 March 2023: approximately HK\$79.4 million). As at 30 September 2023, the Group had net current asset of approximately HK\$149.3 million, representing an increase of approximately HK\$0.8 million as compared to that of approximately HK\$148.5 million as at 31 March 2023.

FOREIGN EXCHANGE EXPOSURE

The Group mainly earns revenue in Hong Kong dollars (“HK\$”) and incurs costs in Renminbi (“RMB”) and HK\$. The Group is exposed to foreign exchange risk based on fluctuations between HK\$ and RMB arising from its core operation in the PRC. In order to minimise the foreign currency risk exposure brought by the exchange between these two currencies, the Group generally maintains cash balances in both currencies that are sufficient to meet three to four months of operating cash flows requirements of the Group. The Group had not experienced any material effects on its operation or liquidity as a result of fluctuations in currency exchange rates and had not adopted any currency hedging policy or any hedging instrument during the Reporting Period. The Group will continue to monitor foreign currency risk exposure and will consider hedging significant foreign currency risk should the need arise.

FUTURE PLAN FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed in the prospectus of the Company dated 28 September 2018 (the “Prospectus”) and in the section headed “Use of Proceeds” in this report, the Group did not have other plans for material investment or capital assets as at the date of this report.

CAPITAL EXPENDITURE AND COMMITMENTS

During the Reporting Period, the Group invested approximately HK\$7.0 million in the purchase of property, plant and equipment.

As at 30 September 2023, the Group had expenditure contracted for but not provided for in the condensed consolidated financial statements in respect of acquisition of certain plant and equipment in a total amount of about HK\$0.2 million (31 March 2023: approximately HK\$0.4 million).

CHARGE ON GROUP ASSETS

As at 30 September 2023, no group asset was pledged. As at 31 March 2023, the investment in life insurance contract of the key management of the Group of approximately HK\$5.5 million was pledged to the bank to secure the general facility granted to the Group.

LITIGATION, CLAIMS AND NON-COMPLIANCES

As at 30 September 2023, the Group had not been involved in claims or litigation which had material adverse effect on our business, results of operations or financial condition or on the Company.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 September 2023 (31 March 2023: Nil).

INTERIM DIVIDEND

The Board did not propose an interim dividend for the Reporting Period (six months ended 30 September 2022: Nil).

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICY

As of 30 September 2023, the Group had a total of 244 full-time employees, 125 of which are located in Hong Kong, and the rest are located in the PRC. The remuneration packages of employees are determined based on their qualifications, position and experience. The Group has designed an annual review system to assess the performance of its employees, which forms the basis of its decisions with respect to salary increments, bonuses and promotions.

USE OF PROCEEDS

The Company has raised gross proceeds of approximately HK\$161.5 million through the global offering upon the listing (the “Listing”) of the shares (the “Shares”) of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). After deducting the listing expenses, the net proceeds amounted to approximately HK\$130.0 million. Such net proceeds are intended to be applied in the same manner and the same proportion as disclosed in the section headed “Future Plans and Use of Proceeds” of the Prospectus, the below table sets out the proposed application and the status of utilisation.

As at 30 September 2023, the net proceeds from the global offering had been applied as follows:

	Planned (HK\$'000)	Net Proceeds Utilised as at 31 March 2023 (HK\$'000)	Net Proceeds Utilised during the period ended 30 September 2023 (HK\$'000)	Net Proceeds Utilised as at 30 September 2023 (HK\$'000)	Unutilised (HK\$'000)	Estimated schedule (Note)
Acquiring machines to replace and enhance the Group's production capacity	51,200	17,303	1,764	19,067	32,133	2023–2024
Expanding the Group's workforce in Hong Kong and the PRC	33,700	31,639	2,061	33,700	—	Fully utilised
Renovation and re-design of the Group's existing production facilities	24,100	903	118	1,021	23,079	2023–2024
Purchasing delivery trucks	5,000	2,853	—	2,853	2,147	2023–2024
Upgrading the Group's information technology system and equipment	3,500	3,500	—	3,500	—	Fully utilised
General working capital	12,500	12,500	—	12,500	—	Fully utilised
	130,000	68,698	3,825	72,523	57,477	

Note: The estimated schedule for utilising the remaining proceeds is based on the best estimation made by the Group on future market condition and may change with the current market condition and future development.

Management Discussion and Analysis

As at 30 September 2023, the Group had not yet utilised the proceeds for (a) acquiring machines to replace and enhance the Group's production capacity and (b) the renovation and re-design of the Group's existing production facilities as planned. The delay in utilisation of the proceeds was due to COVID-19 pandemic which significantly affected the demand of the products and cost of the construction.

The Group will continue to apply the net proceeds in accordance with the disclosure in the section headed "Future Plans and Use of Proceeds" in the Prospectus. As at 30 September 2023, the unutilised net proceeds were deposited in the licensed banks in Hong Kong and the PRC.

SHARE OPTION SCHEME

In order to recognise the contributions that eligible participants have made or may make to the Group, to motivate the eligible participants to optimise their performance and efficiency for the benefit of the Group, and to attract and retain or otherwise maintain ongoing business relationship with the eligible participants whose contributions are, will or expected to be beneficial to the Group, the Company has conditionally adopted a share option scheme on 19 September 2018 ("Share Option Scheme") which became unconditional upon the Listing.

Summary of the principal terms of the Share Option Scheme were disclosed in the page 26–28 of the Annual Report 2022/23.

The movements of share options during the Reporting Period were as follows:

Category of grantees	Date of grant	Exercisable period	Exercise price per Share (HK\$)	Granted	As at 31 March 2023	Cancelled	Lapsed	As at 30 September 2023
Director, senior management and other employees	11 January 2019	11 January 2022 to 10 January 2024	1.53	4,400,000	3,530,000	(1,025,000)	(225,000)	2,280,000
		11 January 2023 to 10 January 2024	1.53	4,400,000	3,530,000	(1,025,000)	(225,000)	2,280,000

Corporate Governance and Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 30 September 2023, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO), which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be noticed the Company and the Stock Exchange, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (the "Model Code"), were as follows:

Name of Director	Capacity/Nature of interest	Number of Shares ^(Note 1)	Approximate percentage of shareholding in the Company
Mr. Xu Ai Hua* (徐愛華) ("Mr. Xu")	Beneficial owner	513,155,000(L)	66.85%
Mr. Sin Kwok Chi Stephen ("Mr. Sin")	Beneficial owner	350,000(L) ^(Note 2)	0.05%

Notes:

* For identification purpose only

1. The letter "L" denotes the Director's long position in the Shares.
2. These interests represented share option granted to Mr. Sin on 11 January 2019 under the Share Option Scheme which are exercisable during 11 January 2022 to 10 January 2024. Details of the Share Option Scheme are set out in page 26–28 of the Annual Report 2022/23.

Save as disclosed above, as at 30 September 2023, none of the Directors or chief executive of the Company had any interests or short positions in any Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2023, so far as is known or otherwise notified to any Director or the chief executive of the Company, the particulars of the corporations or individuals (other than a Director or the chief executive of the Company) who had interests or short positions in the Shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were record in the register required to be kept under section 336 of the SFO, were as follows:

Name of Shareholder	Capacity/Nature of interest	Number of Shares <small>(Note 1)</small>	Approximate percentage of shareholding in the Company
Mr. Xu	Beneficial owner	513,155,000(L)	66.85%

Note:

- The letter "L" denotes the substantial shareholder's long position in the Shares.

Save as disclosed above, as at 30 September 2023, the Directors and the chief executive of the Company are not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would be required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct governing securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required dealing standards as set out in the Model Code during the Reporting Period.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE

The Company is committed to maintain a high standard of corporate governance to safeguard the interests of the Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability. The Company has adopted the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as its own code of corporate governance. The Board is of the view that the Company has complied with all the applicable code provisions of the CG Code during the six months ended 30 September 2023. During the Reporting Period, the Company complied with all applicable code provisions set out in the CG Code, except for the following deviation from the CG Code.

Corporate Governance and Other Information

Code Provision C.1.8	Deviation Considered	Reason for Deviation
The Company should arrange appropriate insurance cover in respect of legal action against the Directors.	The Company has not arranged for appropriate insurance cover in respect of legal action against its directors during the Period.	The Director's and Officers liability insurance becomes effective since 1 September 2023 and the deviations is rectified.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report the Company has maintained the prescribed public float under the Listing Rules.

REVIEW OF THE INTERIM REPORT AND INTERIM RESULTS BY AUDIT COMMITTEE

As at the date of this report, the audit committee of the Company (the "Audit Committee") comprises all the independent non-executive Directors, namely Mr. Law Chi Hung (chairman), Mr. Leung Fuk Shun, Mr. Cheung Chun Man Anthony, Ms. Mak Suet Man and Mr. Liu Sicheng.

The Audit Committee had reviewed and approved the Group's unaudited condensed consolidated financial statements for the Reporting Period and this report.

CHANGE OF DIRECTORS' INFORMATION

Upon specific enquiry by the Company and following confirmations from Directors, save as disclosed hereunder, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Company's last published annual report.

Changes in Directors' positions held with the Company:

Directors	Changes in Positions held with the Company
Mr. Ho Chi Yuen	Resigned as an executive Director and ceased to act as the member of the Remuneration Committee of the Company (the "Remuneration Committee") with effect from 12 October 2023.
Mr. Leung Fuk Shun	Appointed as the member of Remuneration Committee with effect from 12 October 2023.
Ms. Mak Suet Man	Appointed as an independent non-executive Director and a member of Nomination Committee (the "Nomination Committee") and a member of Remuneration Committee and a member of the Audit Committee of the Company (the Audit Committee) with effect from 14 November 2023.
Mr. Liu Sicheng	Appointed as an independent non-executive Director and a member of Nomination Committee (the "Nomination Committee") and a member of Remuneration Committee and a member of the Audit Committee of the Company (the Audit Committee) with effect from 14 November 2023.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2023

	Notes	Unaudited Six months ended 30 September	
		2023 HK\$'000	2022 HK\$'000 (Re-presented)
Continuing operations			
Revenue	4	85,041	111,401
Direct costs		(73,237)	(94,952)
Gross profit		11,804	16,449
Other income and other gains and losses	5	6,360	3,172
Administrative expenses		(10,595)	(11,538)
Finance costs	6	(39)	(23)
Profit before taxation	7	7,530	8,060
Income tax expense	8	(904)	(1,188)
Profit for the period from continuing operations		6,626	6,872
Discontinued operation			
Loss for the period from discontinued operation	10	—	(788)
Profit for the period		6,626	6,084
Other comprehensive income for the period, net of tax			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange difference arising on translation of foreign operation		(1,443)	(3,078)
Total comprehensive income for the period		5,183	3,006

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2023

	Note	Unaudited Six months ended 30 September	
		2023 HK\$'000	2022 HK\$'000 (Re-presented)
Profit/(loss) for the period attributable to:			
Owners of the Company		6,626	6,399
Non-controlling interests		—	(315)
		<u>6,626</u>	<u>6,084</u>
Profit for the period attributable to owners of the Company arises from:			
Continuing operations		6,626	6,872
Discontinued operation		—	(473)
		<u>6,626</u>	<u>6,399</u>
Total comprehensive income attributable to:			
Owners of the Company		5,183	2,808
Non-controlling interests		—	198
		<u>5,183</u>	<u>3,006</u>
Total comprehensive income for the period attributable to owners of the Company arises from:			
Continuing operations		5,183	2,377
Discontinued operation		—	431
		<u>5,183</u>	<u>2,808</u>
Earnings per share			
Basic and diluted	9		
From continuing and discontinued operations		<u>HK\$0.9 cents</u>	<u>HK\$0.8 cents</u>
From continuing operations		<u>HK\$0.9 cents</u>	<u>HK\$0.9 cents</u>

Condensed Consolidated Statement of Financial Position

As at 30 September 2023

	Notes	As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		17,213	12,566
Right-of-use assets		3,508	3,943
Financial asset at fair value through profit or loss		5,642	5,545
Deposits		27	27
Deferred tax assets		19	85
		26,409	22,166
Current assets			
Inventories		21,630	22,831
Trade receivables	12	25,106	12,054
Other receivables, deposits and prepayments		4,460	3,974
Contract assets		47,332	46,518
Current tax asset		1,735	2,567
Cash and cash equivalents		68,119	79,386
		168,382	167,330
Current liabilities			
Trade and other payables and accruals	13	14,614	14,276
Contract liabilities		3,418	518
Lease liabilities		307	300
Bank borrowings		—	3,740
Current tax liabilities		771	8
		19,110	18,842
Net current assets		149,272	148,488
Total assets less current liabilities		175,681	170,654

Condensed Consolidated Statement of Financial Position

As at 30 September 2023

	As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
Non-current liabilities		
Provisions	161	161
Lease liabilities	239	395
	<u>400</u>	<u>556</u>
Net assets	<u>175,281</u>	<u>170,098</u>
Capital and reserves		
Share capital	7,676	7,676
Reserves	167,605	162,422
	<u>175,281</u>	<u>170,098</u>

Condensed Consolidated Statement of Changes in Equity

As at 30 September 2023

	Share capital HK\$'000	Share premium HK\$'000	Statutory surplus reserve HK\$'000	Share option reserve HK\$'000	Other reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
For the six months ended 30 September 2023 (unaudited)										
At 1 April 2023 (audited)	<u>7,676</u>	<u>154,701</u>	<u>663</u>	<u>5,124</u>	<u>10</u>	<u>(127)</u>	<u>2,051</u>	<u>170,098</u>	<u>—</u>	<u>170,098</u>
Profit for the period	—	—	—	—	—	—	6,626	6,626	—	6,626
Exchange differences arising on translation of foreign operation	—	—	—	—	—	(1,443)	—	(1,443)	—	(1,443)
Total comprehensive (expense) income for the period	—	—	—	—	—	(1,443)	6,626	5,183	—	5,183
At 30 September 2023 (unaudited)	<u>7,676</u>	<u>154,701</u>	<u>663</u>	<u>5,124</u>	<u>10</u>	<u>(1,570)</u>	<u>8,677</u>	<u>175,281</u>	<u>—</u>	<u>175,281</u>
For the six months ended 30 September 2022 (unaudited)										
At 1 April 2022 (audited)	<u>7,676</u>	<u>154,701</u>	<u>663</u>	<u>5,124</u>	<u>10</u>	<u>2,597</u>	<u>23,758</u>	<u>194,529</u>	<u>(32,446)</u>	<u>162,083</u>
Profit for the period	—	—	—	—	—	—	6,399	6,399	(315)	6,084
Exchange differences arising on translation of foreign operation	—	—	—	—	—	(3,591)	—	(3,591)	513	(3,078)
Total comprehensive (expense) income for the period	—	—	—	—	—	(3,591)	6,399	2,808	198	3,006
At 30 September 2022 (unaudited)	<u>7,676</u>	<u>154,701</u>	<u>663</u>	<u>5,124</u>	<u>10</u>	<u>(994)</u>	<u>30,157</u>	<u>197,337</u>	<u>(32,248)</u>	<u>165,089</u>

Condensed Consolidated Statement of Cash Flows

As at 30 September 2023

	For the six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Net cash (used in)/from operating activities	(999)	7,492
CASH FLOW FROM INVESTING ACTIVITIES		
Bank interest received	189	8
Purchases of property, plant and equipment	(7,001)	(281)
Net cash used in investing activities	(6,812)	(273)
CASH FLOW FROM FINANCING ACTIVITIES		
Interests paid	(25)	(23)
Repayments of bank borrowings	(3,740)	(110)
Repayment of lease liabilities	(149)	—
Net cash used in financing activities	(3,914)	(133)
Net increase in cash and cash equivalents	(11,725)	7,086
Cash and cash equivalents at beginning of the period	79,386	54,923
Effect of foreign exchange rate changes	458	(2,284)
Cash and cash equivalents at end of the period represented by bank balances and cash	68,119	59,725

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2023

1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Act, Cap 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office and the principal place of business are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Flat 606, 6/F, Sunray Industrial Centre, 610 Cha Kwo Ling Road, Yau Tong, Kowloon, Hong Kong, respectively.

2. BASIS OF PREPARATION

This condensed consolidated financial statement for the six months ended 30 September 2023 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The accounting policies and basis of preparation adopted in the preparation of this unaudited condensed consolidated financial statement are consistent with those set out in the Group's audited consolidated financial statements for the year ended 31 March 2023 which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all HKFRSs, HKASs and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong, except for the adoption of the revised HKFRSs as stated in note 3 to this condensed consolidated financial statement below. This condensed consolidated financial statement has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which has been measured at fair value, and is presented in Hong Kong dollars ("HK\$"), which is the Company's functional and presentation currency, and all values are rounded to the nearest thousand except when otherwise indicated.

This condensed consolidated financial statement does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended 31 March 2023. This condensed consolidated financial statement has not been audited or reviewed by the Company's external auditor, but has been reviewed by the audit committee of the Company (the "Audit Committee").

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period. None of these developments have had a material effect on how the Group's result and financial position for the current or prior periods have prepared or presented in this condensed consolidated financial statement. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2023

4. REVENUE AND SEGMENT INFORMATION

(a) Revenue

Revenue from contracts with customers by major products or service lines for the period from continuing operations is as follows:

	For the six months ended 30 September	
	2023 HK\$'000	2022 HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
<i>Disaggregated by major products or service lines</i>		
Provision of steel and metal engineering services	64,046	96,495
Sales of steel and metal products	20,995	14,906
	85,041	111,401

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major products or service lines:

	Provision of steel and metal engineering services		Sales of steel and metal products		Total	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
For the period ended 30 September						
Timing of revenue recognition						
Products transferred at a point in time	—	—	20,995	14,906	20,995	14,906
Products and services transferred over time	64,046	96,495	—	—	64,046	96,495
Total	64,046	96,495	20,995	14,906	85,041	111,401

The customers of the Group are mainly construction companies, contractors and engineering companies in Hong Kong. All of the Group's provision of steel and metal engineering services and sales of steel and metal products are made directly with the customers. Contracts with the Group's customers are mainly fixed-price contracts.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2023

4. REVENUE AND SEGMENT INFORMATION — continued

Segment information

For the purpose of resources allocation and performance assessment, the chief operating decision makers, have been identified as the executive directors of the Company, review the segment results of the Group. In the current period, the Group's operations in relation to provision of steel and metal engineering services and sales of steel and metal products which were presented as separate reportable segments in the prior periods are considered as a single operating segment in a manner consistent with the way in which information is reported internally to the Board for the purpose of resource allocation and performance assessment. Accordingly, the information of these operations has been aggregated into a single reportable segment and no segment analysis is presented other than entity-wide disclosures.

5. OTHER INCOME AND OTHER GAINS AND LOSSES

	For the six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Continuing operations		
Other income		
Interest income from bank deposits	189	5
Government subsidies	—	3,084
Others	241	319
	<u>430</u>	<u>3,408</u>
Other gains and losses		
Net exchange gain	(272)	(236)
Recovery of loss on the Incident Transactions	6,300	—
Loss on disposal of property, plant and equipment	(98)	—
	<u>5,930</u>	<u>(236)</u>
	<u>6,360</u>	<u>3,172</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2023

6. FINANCE COSTS

	For the six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Continuing operations		
Interests on bank borrowings	25	23
Interests expense on lease liabilities	14	—
	<u>39</u>	<u>23</u>

7. PROFIT BEFORE TAXATION

Profit before taxation for the period from continuing operations has been arrived at after charging:

	For the six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Profit before taxation has been arrived at after charging:		
Depreciation on property, plant and equipment	2,001	1,712
Depreciation on right-of-use assets	240	219
Cost of inventories recognised as an expense	17,618	13,727

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2023

8. INCOME TAX EXPENSE

	For the six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Current tax:		
Hong Kong Profits Tax	51	1,188
The PRC Enterprises Income Tax	787	—
	838	1,188
Deferred taxation	66	—
	904	1,188

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime applies to years of assessment commencing on or after 1 April 2018. Under the two-tiered profits tax rates regime, the first HK\$2.0 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2.0 million will be taxed at 16.5%. The profits of group entities operating in Hong Kong but not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% for both periods.

9. EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of basic and diluted earnings per share is based on the profit for the period attributable to owners of the Company of HK\$6,626,000 (30 September 2022: HK\$6,399,000) and weighted average number of 767,600,000 ordinary shares (30 September 2022: 767,600,000 ordinary shares) in issue during the Reporting Period.

From discontinued operation

For the corresponding period, basic and diluted loss per share from the discontinued operation is HK0.1 cents per share, based on the loss for the period from discontinued operation attributable to the owners of the Company of approximately HK\$788,000. There were no adjustments for the effects of potential ordinary shares arising from outstanding share options as the respective average share price of the Company during the period ended 30 September 2023 and 2022 did not exceed the exercise price of the then outstanding share options, hence they were anti-dilutive and ignored in the calculation of diluted (loss)/earnings per share. The denominators used are the same as those detailed above for both basic and diluted (loss)/earnings per share for continuing and discontinued operations.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2023

10. DISCONTINUED OPERATION

On 18 January 2023, the Board has resolved to voluntarily wind up HY China Investment Company Limited (“HY China”) and its subsidiaries (the “HY China Group”). Upon the appointment of the HY China Liquidators, the Group was considered to have lost control on HY China and the financial results and position of HY China Group was de-consolidated from those of the Group with effect from 24 February 2023 in accordance with the requirement of HKFRS 10 Consolidated Financial Statements. The operation of HY China Group was discontinued on the same date. For details, please refer to note 2(c) of the Company’s audited annual consolidated financial statements for the year ended 31 March 2023.

	For the six months ended 30 September 2022 HK\$'000 (Unaudited)
Loss for the period from discontinued operation:	
Other income and other gains and losses	3
Administrative expenses	<u>(791)</u>
Loss before tax	(788)
Income tax expense	<u>—</u>
Loss for the period from discontinued operation	<u><u>(788)</u></u>
Attributable to:	
Owners of the Company	(315)
Non-controlling interests	<u>(473)</u>
	<u><u>(788)</u></u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2023

11. DIVIDENDS

No dividend was approved and paid during the Reporting Period (six months ended 30 September 2022: Nil).

The Board has resolved not to declare the payment of an interim dividend for the Reporting Period (six months ended 30 September 2022: Nil).

12. TRADE RECEIVABLES

For customers that the Group provides engineering services on steel and metal works, the Group normally grants credit terms of 30 days from the date of certificate on progress payments of contract works. For customers that the Group sells metal and steel products to, except for certain major customers of which the Group grants a credit period of up to 60 days from the delivery of goods, the Group grants no credit terms to other customers and they are to settle payment in full upon delivery of goods. The following is an aging analysis of the trade receivables denominated in Hong Kong dollar and presented based on the date of certificate on progress payments of contract works or the invoice date which approximates the date of revenue recognition for sales of metal and steel products at the end of the Reporting Period:

	As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
0–30 days	13,584	5,379
31–60 days	1,892	1,564
61–90 days	4,844	2,354
Over 90 days	4,786	2,757
	25,106	12,054

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2023

13. TRADE AND OTHER PAYABLES AND ACCRUALS

	As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
Trade payables	3,155	2,821
Accrued staff costs	7,048	8,607
Accruals and others	4,411	2,848
	14,614	14,276

The credit period granted to the Group by suppliers normally ranges from 0 to 60 days. The following is an aging analysis of trade payables presented based on the invoice date at the end of the Reporting Period:

	As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
Trade payables:		
0–30 days	1,031	1,484
31–60 days	1,695	636
61–90 days	428	697
Over 90 days	1	4
	3,155	2,821